

Oceana Intermediate School District

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2006

Oceana Intermediate School District

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Management Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Oceana Intermediate School District, located in Hart, Michigan, is in its third year of implementing the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be Oceana Intermediate School District Administration's discussion and analysis of the new financial results for the fiscal year ended June 30, 2006.

The Governmental Accounting Standards Board in their Statement No. 34 adopted this new reporting model; *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* in June 2000. Generally accepted accounting principles according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Oceana Intermediate School District as a whole.

The *District-wide Financial Statements* provide information about the activities of the whole Intermediate School District, presenting both an aggregate view of the Intermediate School District's finances and a longer-term view of those finances. The *Fund Financial Statements* provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the Intermediate School District's operations in more detail than the district-wide financial statements by providing information about the Intermediate School District's most significant funds: the General Fund and Special Education Fund.

Reporting the Intermediate School District as a Whole **District-wide Financial Statements**

The district-wide financial statements include the statement of net assets and the statement of activities. These statements, which appear first in the Intermediate School District's financial statements, report information on the Intermediate School District as a whole and its activities in a way to provide an easy-to-understand overview of the Intermediate School District's financial position and results of operations for the year. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenditures are taken into account regardless of when cash is received or paid.

These two statements report the Oceana Intermediate School District's net assets (the difference between assets and liabilities, as reported in the statement of net assets) as one way to measure the Intermediate School District's financial health or financial position. The statement of net assets and statement of activities report the governmental activities of the Oceana Intermediate School District, which encompass all of the Intermediate School District's services, including instruction, supporting services, and community services. Property taxes, state aid, and federal grants finance most of these activities.

Over time, increases or decreases in the Intermediate School District's net assets (as reported in the statement of activities) are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Intermediate School District's operating results. However, Oceana Intermediate School District exists to provide services to our local school districts, their staff, and the students they serve. Consideration of other non-financial factors, such as the quality of services provided, is needed to assess the overall health of the Oceana Intermediate School District.

The Intermediate School District's mission is to provide the leadership, programs and services that complement and enhance the efforts of the constituent school districts in extending educational opportunities to all students. The Intermediate School District does not focus on generating profits as commercial entities do. The Intermediate School District accomplishes its mission through innovative partnerships, technology, training, and professional development.

The Intermediate School District offers a wide range of services focused on improving learning. The Intermediate School District serves three local public school districts, along with two nonpublic schools.

Created by State legislation in 1962 to serve local students and act as a liaison between them and the Michigan Department of Education, the Intermediate School District is one of 57 intermediate school districts in the state. The Intermediate School District is a shared-community resource, providing an extensive network of supportive service that helps families and local schools successfully grow preschoolers into graduates and lifelong learners.

Reporting the Intermediate School District's Most Significant Funds **Fund Financial Statements**

The Intermediate School District's fund financial statements provide detailed information about the most significant funds-not the district as a whole. Some funds are required to be established by State law and bond covenants. However, the Intermediate School District has established other funds to help it control and manage money for particular purposes. The governmental funds of the Intermediate School District use the following accounting approach:

All of the Intermediate School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental funds statements provide a detailed short-term view of the operations of the District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Intermediate School District's programs. The audited financial statements describe the relationship or differences between governmental activities reported in the fund financial statements and the district-wide financial statements in reconciliation schedule.

The Intermediate School District's Funds

The Intermediate School District uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether the Intermediate School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Intermediate School District's overall financial health.

As the Intermediate School District completed this year, the governmental funds reported a combined fund balance of over \$1.6 million, which is a decrease of approximately \$81,000 from last year. The General Fund had an increase in fund balance and Special Education Fund had a decrease in fund balance.

- The General Fund reflects a fund balance increase by \$31,479 from the prior year. Revenues decreased slightly and expenditures decreased by 16% from prior year levels. This decrease is due mainly to the Joint Operating Agreement with Mason-Lake Intermediate School District and the sharing of our Superintendent.
- In the Special Education Fund, our largest fund, the fund balance decreased \$112,632 to \$1,288,731. Revenues increased by 3.8% from prior year levels and expenditures increased by 8.4% due to the hiring of a new classroom aide and the rising cost of fringe benefits.

The Intermediate School District as a Whole

The statement of net assets provides the perspective of the Intermediate School District as a whole. Table 1 provides a summary of the Intermediate School District's net assets as of June 30, 2005 and 2006. (see Table 1 on next page)

TABLE 1

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2006</u>
Assets		
Current and other assets	\$2,189,084	\$2,052,113
Capital assets – Net of accumulated depreciation	\$767,688	\$765,902
Total assets	\$2,956,772	\$2,818,015
Liabilities		
Current liabilities	\$298,881	\$296,627
Long-term liabilities	\$320,215	211,749
Total liabilities	\$619,096	\$508,376
Net Assets		
Invested in property and equipment – Net of related debt	\$731,970	\$736,689
Restricted	\$1,305,106	\$1,195,877
Unrestricted	\$300,600	\$ 377,073
Total net assets	\$2,337,676	\$2,309,639

The aforementioned analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the Intermediate School District's governmental activities is discussed below. The District's net assets were \$2,309,639 at June 30, 2006. Capital assets, net of related debt compares the original cost, less accumulated depreciation of the Intermediate School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be paid from currently held investments. A portion of net assets, \$1,195,877, is legally restricted for special education programs. The remaining amount of net assets, \$377,073 was unrestricted. The operating results of both major funds will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Intermediate School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2005 and 2006.

TABLE 2

Revenue	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2006</u>
Program Revenue		
Charges for Services	\$129,759	\$184,945
Grants and Categoricals	\$2,100,350	\$1,975,559
General Revenue		
Property Tax	\$1,013,745	\$1,073,031
Unrestricted State Aid	\$174,626	\$174,898
Other	\$86,540	\$52,411
	<hr/>	<hr/>
	\$3,505,020	\$3,460,844

FY 2006 Revenues - \$3.4 Million

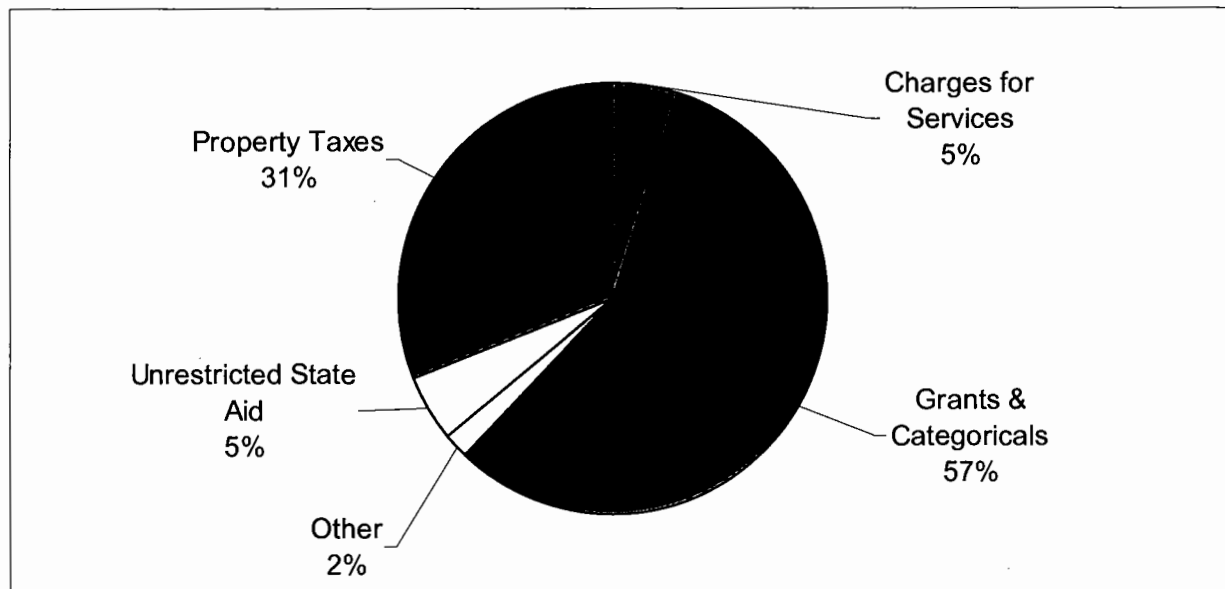
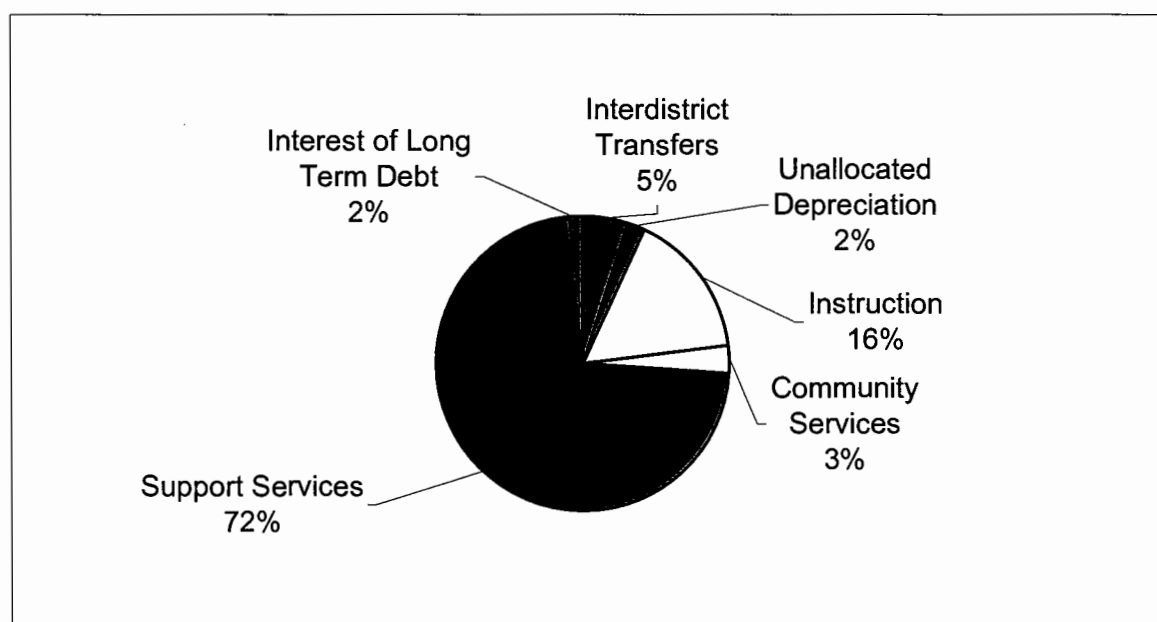


TABLE 2 (Continued)

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2006</u>
Function/Program Expenses		
Instruction	\$517,315	\$572,645
Support Services	\$2,506,913	\$2,530,313
Community Services	\$133,026	\$115,717
Inter-district Transfers	\$326,960	\$200,000
Unallocated Depreciation	\$68,386	\$63,242
Interest on Long Term Debt	\$8,283	\$6,964
	<hr/>	<hr/>
Total expenses	\$3,560,883	\$3,488,881
	<hr/>	<hr/>
Change in Net Assets	\$(55,863)	\$(28,037)
	<hr/>	<hr/>

FY 2006 Expenses - \$3.4 Million



As reported in the statement of activities, the cost of all our governmental activities this year was \$3,488,881. Certain activities were partially funded by those who benefited from the programs \$184,945 or by other governments and organizations that subsidized certain programs with grants and categorical aid \$1,975,559. We paid for the remaining “public benefit” portion with \$1,073,031 in property tax revenue, \$174,898 in unrestricted state aid, and with other revenues, such as interest income. Additionally, the Oceana Intermediate School District experienced a decrease in net assets of \$28,037.

The net cost shows the financial burden that was placed on the Oceana Intermediate School District taxpayers and on the State. Since property taxes for operations and unrestricted state aid constitute the majority of Intermediate School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the Intermediate School District and the local districts it services and balance those needs with available tax revenues and unrestricted state aid revenue.

Governmental Fund Budgetary Highlights

Over the course of the fiscal year, the Intermediate School District revises its budget as we attempt to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the District’s original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements. Material changes to original budgets for the General, and Special Education fund budgets are as follows:

- General Fund: Budgeted revenues remained similar to 2004-05. State aid remained the same in Sec. 81, but we received new state revenue in middle school math/science and accelerated programs. The federal grants decreased and property taxes increased 5%. The expenses were less this year due to the Joint Operating Agreement with Mason-Lake Intermediate School District.
- Special Education Fund: Budgeted revenues increased based upon increases in the initial amounts of federal and state grants, Medicaid, and property taxes. Medicaid payments to the LEA’s and personnel changes with the hiring of a classroom aide affected the variances between the original and final budgets. The District became the fiscal agent for a grant from GVSU where we received the revenue and paid the grant expenses.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006 the Intermediate School District had \$765,902 invested in capital assets.

Capital Assets, not being depreciated:	<u>2005</u>	<u>2006</u>
Land	\$90,505	\$90,505
Capital Assets, being depreciated:		
Buildings & Improvements	\$594,662	594,662
Buses and other vehicles	307,528	368,984
Furniture and equipments	189,072	189,072
Total Capital Assets	\$1,181,767	\$1,243,223
Less accumulated deprecation	414,079	477,321
Net capital assets	<u>\$767,688</u>	<u>\$765,902</u>

The Intermediate School District had \$29,213 in debt related to the acquisition of capital assets at year-end. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Intermediate School District's ability to use those net assets for unrestricted day-to-day operations. The remaining amount of net assets, \$377,073 was unrestricted.

Debt Administration

At June 30, 2006, Oceana Intermediate School District had \$135,804 in bonds outstanding. Those bonds are Durant obligation bonds that are the responsibility of the State of Michigan.

	<u>2005</u>	<u>2006</u>
Durant Bond Obligations	\$146,936	\$135,804

The State limits the amount of general obligation debt that Intermediate School Districts can issue without a vote of the electors. The debt limit is limited to 1/9 of 1% of the state equalized valuation of the taxable property within the Intermediate School District. If

the Intermediate School District issues “qualified debt”, i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit.

The Durant obligation is payable in annual installments of up to \$54,000, plus interest of approximately 4.76%. The Intermediate School District is obligated to make the annual principal and interest payments only to the extent of annual State of Michigan state school aid appropriations for such installments.

Economic Factors and Next Year's Budgets

The year ending 2005-06 was the first year of a two-year agreement with Mason-Lake Intermediate School District to share a superintendent. Savings from the dual superintendency allowed us to purchase professional development and administrative services from Mason-Lake ISD. Professional development was one of the main services requested by our local school districts. In sharing resources with another ISD to meet the professional development needs of local districts, both intermediate districts saved money.

Oceana Intermediate School District exists to provide services to local school districts, their staff, and the students they serve. Local district needs determine the nature and focus of our service efforts. The challenges our local districts currently face include: an economic downturn that limits revenue while cost levels continue to increase, increased professional development needs due to the requirements of No Child Left Behind Act and other legislation, changes in special education laws and increased emphasis on early identification of children with special needs. All of these factors have an economic impact and directly affect the scope of our service effort.

The Michigan legislature has approved the 2006-2007 state school aid budget, and we will see a 3.1% increase in Sec. 81 of our General Education fund, the first increase in a several years. Medicaid revenue is unknown at this time. We may see a reduction of 25% or more in Medicaid revenue based on projected budgetary cuts at the federal level. If this does happen, it will greatly impact our Special Education budget and could lead to further cost reductions.

Increases in health insurance, retirement rates and fuel/utility costs continue to outpace state revenues. There is also the possibility for a state aid proration in 2006-07 if state revenues do not come in at estimated levels. This will cause our fund balances to decline further and that could impact future service levels. Our fund balance in Special Education at June 30, 2006, shows that we have a reduction of \$112,633. We have seen a trend of dipping into fund balance over the past two years; 2005-06 at \$112,633 and

2004-05 at \$43,312. Therefore, we will continue to look at cost containment alternatives in the future.

The Intermediate School District is assisting two of our local school districts with a preschool transition classroom using our IDEA Federal monies for the second year in a row. This will allow preschool children with special needs to transition into the general education population giving them a better opportunity for academic success in the future by ensuring a stronger foundation of school ready skills.

The General Education fund balance is up \$31,480 due to the dual superintendent arrangement. The General Education Fund will assume additional expenses in 2006-07 that previously were covered in the Special Education Fund. The restructuring of the general education department and non-replacement of one staff position for the 2006-07 school year will put a strain on the service level that can be provided to our local districts.

Contacting the School District's Financial Management

This financial report is designed to provide a general overview of the Oceana Intermediate School District's finances for all those with an interest in the Intermediate School District's finances. If you have questions about this report or need additional information, contact: Jeanne Oakes, Superintendent, 844 Griswold Street, Hart, MI 49420.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

September 7, 2006

Board of Education
Oceana Intermediate School District
Hart, Michigan

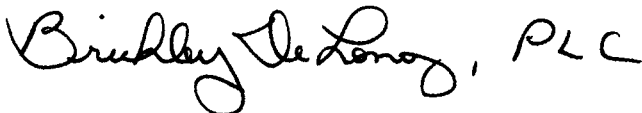
We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oceana Intermediate School District (the School District), as of and for the year ended June 30, 2006, which collectively comprise the Schools District's financial statements as listed in the table of contents. These financial statements are the responsibility of Oceana Intermediate School District's management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oceana Intermediate School District, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated September 7, 2006, on our consideration of Oceana Intermediate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our test of compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i - xi and 23 - 24, are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Oceana Intermediate School District
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental activities
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 683,434
Investments	1,029,018
Receivables	75
Due from other governmental units	202,988
Prepaid items	795
Total current assets	<u>1,916,310</u>
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	90,505
Depreciable	675,397
Note and interest receivable	135,803
Total noncurrent assets	<u>901,705</u>
Total assets	<u>2,818,015</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	235,954
Bonds and other obligations, due within one year	60,673
Total current liabilities	<u>296,627</u>
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	211,749
Total liabilities	<u>508,376</u>
NET ASSETS	
Invested in capital assets, net of related debt	736,689
Restricted for Special education	1,195,877
Unrestricted	377,073
Total net assets	<u>\$ 2,309,639</u>

The accompanying notes are an integral part of this financial statement.

Oceana Intermediate School District
STATEMENT OF ACTIVITIES
For the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for services	Operating grants and contributions	Revenue and Changes in Net Assets
Governmental activities				Governmental activities
Instruction	\$ 572,645	\$ 77,533	\$ 300,316	\$ (194,796)
Support services	2,530,313	74,022	1,603,783	(852,508)
Community services	115,717	33,390	66,452	(15,875)
Interest on long-term debt	6,964	-	-	(6,964)
Interdistrict transfers	200,000	-	5,008	(194,992)
Unallocated depreciation	63,242	-	-	(63,242)
Total governmental activities	\$ <u>3,488,881</u>	\$ <u>184,945</u>	\$ <u>1,975,559</u>	(1,328,377)
General revenues				
Property taxes levied for				
General purposes				216,212
Special education				856,819
Grants and contributions not restricted to specific programs				174,898
Unrestricted investment earnings				45,818
Miscellaneous				6,593
Total general revenues				<u>1,300,340</u>
Change in net assets				(28,037)
Net assets at July 1, 2005				<u>2,337,676</u>
Net assets at June 30, 2006				\$ <u><u>2,309,639</u></u>

The accompanying notes are an integral part of this financial statement.

Oceana Intermediate School District
BALANCE SHEET
Governmental Funds
June 30, 2006

	General Fund	Special Education	Other Governmental Fund	Total governmental funds
ASSETS				
Cash and cash equivalents	\$ 311,952	\$ 371,482	\$ -	\$ 683,434
Investments	79,146	949,872	-	1,029,018
Receivables	50	25	-	75
Due from other governmental units	54,344	135,200	-	189,544
Due from other funds	-	47,117	-	47,117
Prepaid items	-	795	-	795
Total assets	<u>\$ 445,492</u>	<u>\$ 1,504,491</u>	<u>\$ -</u>	<u>\$ 1,949,983</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 3,256	\$ 13,828	\$ -	\$ 17,084
Accrued liabilities	3,492	201,932	-	205,424
Due to other funds	47,117	-	-	47,117
Total liabilities	53,865	215,760	-	269,625
Fund balances				
Unreserved				
Designated for sick leave	14,550	92,854	-	107,404
Designated for special education legal expenditures	-	90,526	-	90,526
Undesignated	377,077	1,105,351	-	1,482,428
Total fund balances	<u>391,627</u>	<u>1,288,731</u>	<u>-</u>	<u>1,680,358</u>
Total liabilities and fund balances	<u>\$ 445,492</u>	<u>\$ 1,504,491</u>	<u>\$ -</u>	<u>\$ 1,949,983</u>

The accompanying notes are an integral part of this financial statement.

Oceana Intermediate School District
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2006

Total fund balance—governmental funds		\$ 1,680,358
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Interest receivable in government activities is not reported in the governmental funds.		13,445
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Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds.

Cost of capital assets	\$ 1,243,223	
Accumulated depreciation	<u>(477,321)</u>	765,902

Other long-term note receivable in governmental activities is not reported in the governmental funds.		135,803
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Accrued interest in governmental activities is not reported in the governmental funds.		(13,445)
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Long-term liabilities in governmental activities are not due and payable in the current period and are not reported in the governmental funds.

Bonds and notes payable	(165,020)	
Compensated absences	<u>(107,404)</u>	<u>(272,424)</u>

Net assets of governmental activities in the Statement of Net Assets		\$ <u><u>2,309,639</u></u>
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The accompanying notes are an integral part of this financial statement.

Oceana Intermediate School District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2006

	General Fund	Special Education	Other Governmental Fund	Total governmental funds
REVENUES				
Local sources				
Property taxes	\$ 216,192	\$ 856,819	\$ -	\$ 1,073,011
Medicaid reimbursement	-	303,064	-	303,064
Investment earnings	10,121	35,697	-	45,818
Drivers education	60,015	-	-	60,015
Fees	47,000	-	-	47,000
Other	7,917	13,023	-	20,940
Total local sources	341,245	1,208,603	-	1,549,848
State sources	194,244	549,881	16,151	760,276
Federal sources	18,555	1,059,248	-	1,077,803
Total revenues	554,044	2,817,732	16,151	3,387,927
EXPENDITURES				
Instruction	58,918	510,228	-	569,146
Support services	516,965	2,126,704	-	2,643,669
Community services	25,893	89,823	-	115,716
Debt service				
Principal	1,301	5,204	11,133	17,638
Interest and other charges	362	1,583	5,018	6,963
Total expenditures	603,439	2,733,542	16,151	3,353,132
Excess (deficiency) of revenues over (under) expenditures	(49,395)	84,190	-	34,795
OTHER FINANCING SOURCES (USES)				
Transfers from other governmental units and other transactions	6,224	77,828	-	84,052
Transfers in	74,651	-	-	74,651
Transfers out	-	(74,651)	-	(74,651)
Transfers to other governmental units and other transactions	-	(200,000)	-	(200,000)
Total other financing sources (uses)	80,875	(196,823)	-	(115,948)
Net change in fund balances	31,480	(112,633)	-	(81,153)
Fund balances at July 1, 2005	360,147	1,401,364	-	1,761,511
Fund balances at June 30, 2006	\$ 391,627	\$ 1,288,731	\$ -	\$ 1,680,358

The accompanying notes are an integral part of this financial statement.

Oceana Intermediate School District
**RECONCILIATION OF THE GOVERNMENT FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES**

For the year ended June 30, 2006

Net change in fund balances—total governmental funds	\$ (81,153)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (63,242)	
Capital outlay	<u>61,456</u>	(1,786)

Collection of principal on long-term receivables are a revenue in the governmental funds, but the payment reduces long-term asset in the Statement of Net Assets.	(11,133)
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Interest income on long-term note receivable is recorded in the Statement of Activities when earned, but is not reported in governmental funds until received.	1,709
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	17,637
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Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in governmental funds until paid.	(1,709)
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the government funds.	<u>48,398</u>
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Change in net assets of governmental activities	<u><u>\$ (28,037)</u></u>
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The accompanying notes are an integral part of this financial statement.

Oceana Intermediate School District
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Fiduciary Funds

June 30, 2006

	Agency Funds
	<u> </u>
ASSETS	
Cash	\$ 544
	<u> </u>
 LIABILITIES	
Deposits held for others	\$ 544
	<u> </u>

The accompanying notes are an integral part of this financial statement.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Oceana Intermediate School District (School District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

Reporting Entity

The School District is governed by an elected five-member Board of Education (Board), which has responsibility and control over all activities related to public school education within the School District. The School District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the School District is not included in any other governmental reporting entity as defined by generally accepted accounting principles. In addition, the School District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14. Board members have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters.

District-wide and Fund Financial Statements

District-wide Financial Statements – The primary focus of district-wide financial statements is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities. The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. The district-wide financial statements categorize primary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

In the district-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The School District first utilizes restricted resources to finance qualifying activities. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district, and other unrestricted items are not included as program revenues but instead as *general revenues*.

The district-wide Statement of Activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general revenues (property taxes, certain intergovernmental revenues and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants. The School District does not allocate indirect costs.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

District-wide and Fund Financial Statements—Continued

Fund financial statements – Fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds – Governmental funds are those funds through which most School District functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The School District reports the following major governmental funds:

- The *General Fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.
- The *Special Education Fund* accounts for revenue sources that are legally restricted to expenditures for specific purposes. The School District accounts for its special education activities in the special education fund.

The other non-major governmental fund is reported within the following type:

- The *Debt Service Fund* accounts for the resources accumulated and payments made for principle and interest on long-term general obligation debt of governmental funds.

Fiduciary funds – Fiduciary funds account for assets held by the School District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the School District under the terms of a formal trust agreement. Fiduciary funds are not included in the district-wide statements.

- The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the School District holds for others in an agency capacity (primarily student activities).

Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, categorical aids and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Basis of Presentation—Continued

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the school districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30, 2006 is reported as due from other governmental units.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Deposit and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

The School District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the School District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized costs.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Deposit and Investments—Continued

State statutes authorize the School District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The School District is also authorized to invest in U. S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The School District's deposits and investments are in accordance with statutory authority.

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". The School District had no advances between funds.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the School District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund—Non-homestead	.4110
Special Education Fund—Non-homestead	1.6283

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include bond proceeds to be used for capital construction.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are defined by the School District as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The School District does not have infrastructure-type assets.

Depreciation is provided on the straight-line basis over the following useful lives:

Building and improvements	15-50 years
Buses and other vehicles	8 years
Furniture and other equipment	5-10 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Compensated Absences

The liability for compensated absences reported in the district-wide statement consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

For fund financial statements, no compensated absence liability is reported for current employees and a compensated absence liability is reported for terminated employees only when the termination date is on or before year end.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On fund financial statements, receivables that will be collected after the available period are reported as deferred revenue.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Other Accounting Policies—Continued

Net Assets In District-wide Financial Statements

Net assets represent the difference between assets and liabilities and are segregated into the following components:

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- **Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net assets** consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Fund Equity In Fund Financial Statements

The School District reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, inventory of materials and supplies, prepaid items, deferred charges and advances to other funds, when applicable. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and special revenue funds. All annual budgets lapse at year end.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

Budgets and Budgetary Accounting—Continued

2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by Board of Education resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts within major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year.
6. The budget is amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The School District does not consider these amendments to be significant.

Excess of Expenditures Over Appropriations

The School District did not have significant expenditure budget variances.

NOTE C—DEPOSITS AND INVESTMENTS

As of June 30, 2006, the School District had the following investments:

Investment Type	Fair value	Weighted average maturity (Days)	Standard & Poor's rating	Percent
MILAF external investment pool	\$ <u>1,029,018</u>			<u>100%</u>

The School District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the School District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2006, the fair value of the School District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). The School District has no investment policy that would further limit its investment choices.

Concentration of credit risk. The School District does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the School District investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2006, \$645,287 of the School District's bank balance of \$845,287 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The School District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Foreign currency risk. The School District is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
Capital assets, not being depreciated:				
Land	\$ 90,505	\$ -	\$ -	\$ 90,505
Capital assets, being depreciated:				
Buildings and improvements	594,662	-	-	594,662
Furniture and equipment	189,072	-	-	189,072
Vehicles	307,528	61,456	-	368,984
Total capital assets, being depreciated	1,091,262	61,456	-	1,152,718

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE D—CAPITAL ASSETS—Continued

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 111,953	\$ 11,045	\$ -	\$ 122,998
Furniture and equipment	95,576	17,774	-	113,350
Vehicles	206,550	34,423	-	240,973
Total accumulated depreciation	<u>414,079</u>	<u>63,242</u>	<u>-</u>	<u>477,321</u>
Total capital assets, being depreciated, net	<u>677,183</u>	<u>(1,786)</u>	<u>-</u>	<u>675,397</u>
Capital assets, net	<u>\$ 767,688</u>	<u>\$ (1,786)</u>	<u>\$ -</u>	<u>\$ 765,902</u>

Depreciation

Depreciation expense has been charged as unallocated depreciation.

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2006 was as follows:

Due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Special Education Fund	General Fund	\$ 47,117

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

The Special Education Fund transferred \$74,651 to the General Fund, to finance operations.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE F—LONG-TERM OBLIGATIONS

The School District issues bonds, notes and other contractual commitments to provide for the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

Summary of Long-term Obligations

The following is a summary of long-term obligations activity for the School District for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due within one year
Governmental activities:					
Durant bonds	\$ 146,936	\$ -	\$ 11,132	\$ 135,804	\$ 53,197
Capital lease	35,718	-	6,505	29,213	7,476
Compensated absences	155,805	-	48,400	107,405	-
	<u>\$ 338,459</u>	<u>\$ -</u>	<u>\$ 66,037</u>	<u>\$ 272,422</u>	<u>\$ 60,673</u>

Durant bonds are payable in annual installments of up to \$54,000, plus interest at 4.76%. The School District is only obligated to make the annual principle and interest installments to the extent of annual State of Michigan state school aid appropriations for such installments.

\$ 135,804

Capital lease obligations payable in monthly installments of \$728, including interest at approximately 5% through February 2010

29,213

Compensated absences

107,405
\$ 272,422

The Durant bonds, including interest, were issued in anticipation of payment to the School District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The School District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE F—LONG-TERM OBLIGATIONS—Continued

Summary of Long-term Obligations—Continued

Governmental activities:—Continued

The annual requirements of principal and interest to amortize debt outstanding as of June 30, 2006, excluding compensated absences, are approximately as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 60,673	\$ 24,276	\$ 84,949
2008	20,076	4,811	24,887
2009	21,063	3,827	24,890
2010	18,415	2,826	21,241
2011	14,047	2,104	16,151
2012-2013	30,743	2,169	32,912
	<u>\$ 165,017</u>	<u>\$ 40,013</u>	<u>\$ 205,030</u>

NOTE G—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan

Plan description – The School District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to or calling:

Office of Retirement Systems
Michigan Public School Employees Retirement System
P.O. Box 30171
Lansing Michigan 48909
1-800-381-5111

Funding policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE G—EMPLOYEE BENEFITS

Employee Retirement System – Defined Benefit Plan—Continued

Funding policy—Continued

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The School District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006, were 14.87 percent of payroll for July, August and September. For the period from October 1, 2005 to June 30, 2006 rates were 16.34 percent of payroll. The contribution requirements of plan members and the School District are established and may be amended by the MPSERS Board of Trustees. The School District contributions to MPSERS for the year ended June 30, 2006, 2005 and 2004 were approximately \$285,000, \$249,000, and \$213,000, respectively, and were equal to the required contribution for those years.

The School District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other post-employment benefits – Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE H—COMMITMENTS AND CONTINGENCIES

Commitments

- On May 18, 1995, the School District entered into a lease agreement with Hart Public Schools. The agreement stipulated the Oceana Intermediate School District was to pay, and has paid, construction costs of approximately \$235,000 for an addition to the Spitler Elementary School in accordance with plans and specifications prepared and designed as a facility for Trainable Mentally Impaired and Severely Mentally Impaired students. The addition is to remain the property of Hart Public Schools. The facility should be available to serve Oceana Intermediate School district resident handicapped children for a minimum period of 30 years with consideration of renewing the agreement in five-year intervals at the end of the original agreement. During the fiscal year ended June 30, 1998, the School District spent an additional \$24,967 on capital outlay at the Hart Public Schools.
- In November 2001, the School District entered into an agreement with Shelby Public Schools. It stipulated that the School District would pay approximately \$112,500 for the use of a classroom to be used for Preprimary Impaired students. The classroom will be used for this purpose for 25 years. The agreement requires the School District to be responsible for some maintenance projects and after the first five years pay for the operating costs of the classroom.
- In order to support Early Elementary Transition classrooms for Special Education students the School District has committed to reimbursing constituent school districts \$93,000 and \$96,000 for fiscal years ending 2007 and 2008, respectively.

Oceana Intermediate School District
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2006

NOTE H—COMMITMENTS AND CONTINGENCIES—Continued

Contingencies

- **Federal Programs** – The School District participates in federally-assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.
- **Litigation** – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

NOTE I—OTHER INFORMATION

Economic Dependence – Prior years revision of the State of Michigan (State) school aid formula for local public schools significantly increased State school aid, and the change in property tax laws significantly decreased local property tax revenues. As a result, State school aid represents approximately 21.53 percent of revenues.

Risk Management – The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

REQUIRED SUPPLEMENTARY INFORMATION

Oceana Intermediate School District
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 324,598	\$ 358,117	\$ 341,245	\$ (16,872)
State sources	185,086	189,395	194,244	4,849
Federal sources	34,000	18,555	18,555	-
Incoming transfers and other transactions	156,027	96,711	80,875	(15,836)
Total revenues	699,711	662,778	634,919	(27,859)
EXPENDITURES				
Instruction				
Basic programs	60,458	61,878	58,918	2,960
Support services				
Pupil	35,500	1,500	975	525
Instructional staff	14,489	47,188	44,357	2,831
General administration	216,457	153,350	146,486	6,864
School administration	288,586	286,745	278,359	8,386
Business	22,791	19,155	17,859	1,296
Operation and maintenance	33,239	38,278	23,234	15,044
Central	1,850	9,116	5,695	3,421
Community services	32,373	32,373	25,893	6,480
Outgoing transfers and other transactions	3,468	3,468	1,663	1,805
Total expenditures	709,211	653,051	603,439	49,612
Excess (deficiency) of revenues over (under) expenditures	\$ (9,500)	\$ 9,727	31,480	\$ 21,753
Fund balances at July 1, 2005			360,147	
Fund balances at June 30, 2006			\$ 391,627	

Oceana Intermediate School District
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Special Education Fund
For the year ended June 30, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Local sources	\$ 1,195,006	\$ 1,243,026	\$ 1,208,603	\$ (34,423)
State sources	453,294	505,018	549,881	44,863
Federal sources	1,049,568	1,067,076	1,059,248	(7,828)
Incoming transfers and other transactions	56,676	90,272	77,828	(12,444)
Total revenues	2,754,544	2,905,392	2,895,560	(9,832)
EXPENDITURES				
Instruction				
Added needs	515,115	533,954	510,228	23,726
Support services				
Pupil	1,213,323	1,240,102	1,214,989	25,113
Instructional staff	-	276,442	271,304	5,138
General administration	310,763	61,690	57,226	4,464
School administration	72,077	72,077	65,612	6,465
Business	162,170	143,970	133,615	10,355
Operation and maintenance	80,976	96,622	66,077	30,545
Pupil transportation services	263,181	323,637	258,111	65,526
Central	35,197	70,101	59,770	10,331
Community services	90,646	95,295	89,823	5,472
Outgoing transfers and other transactions	210,013	281,441	281,438	3
Total expenditures	2,953,461	3,195,331	3,008,193	187,138
Excess (deficiency) of revenues over (under) expenditures	\$ (198,917)	\$ (289,939)	(112,633)	\$ 177,306
Fund balances at July 1, 2005			1,401,364	
Fund balances at June 30, 2006			\$ 1,288,731	

Oceana Intermediate School District
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**

Financial Report and
Independent Auditors' Reports

June 30, 2006

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BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

September 7, 2006

Board of Education
Oceana Intermediate School District
Hart, Michigan

We have audited the financial statements of Oceana Intermediate School District as of and for the year ended June 30, 2006 and have issued our report thereon dated September 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oceana Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Oceana Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 7, 2006

Board of Education
Oceana Intermediate School District
Hart, Michigan

Compliance

We have audited the compliance of Oceana Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its cluster of major federal programs for the year ended June 30, 2006. Oceana Intermediate School District's cluster of major federal programs is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its cluster of major federal programs is the responsibility of Oceana Intermediate School District's management. Our responsibility is to express an opinion on Oceana Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oceana Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oceana Intermediate School District's compliance with those requirements.

In our opinion, Oceana Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to its cluster of major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Oceana Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Oceana Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Education
September 7, 2006
Page 2

Internal Control Over Compliance—Continued

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Oceana Intermediate School District as of and for the year ended June 30, 2006 and have issued our report thereon dated September 7, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brickley DeLong, PLLC

Oceana Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2005	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2006
					Prior year	Current year	Total	
U.S. Department of Education								
Direct Program								
Rural Education Achievement Program	84.358A							
S358A045922		\$ 18,275	\$ 18,275	\$ 18,275	\$ 18,275	\$ -	\$ 18,275	\$ -
S358A055922		18,555	-	-	-	18,555	18,555	18,555
		36,830	18,275	18,275	18,275	18,555	36,830	18,555
Programs passed through Michigan								
Department of Education:								
I.D.E.A. 101-476 cluster	84.027							
060450-0506		828,680	-	828,680	-	828,680	828,680	-
060480-EOSD		45,000	-	45,000	-	45,000	45,000	-
060490-TS		60,000	-	60,000	-	60,000	60,000	-
		933,680	-	933,680	-	933,680	933,680	-
Preschool	84.173							
060460-0506		27,826	-	27,826	-	27,826	27,826	-
Total I.D.E.A. cluster		961,506	-	961,506	-	961,506	961,506	-
Infant and Toddler Early Childhood								
Intervention Program								
061340-190	84.181	66,452	-	66,452	-	66,452	66,452	-
Title V	84.298							
060250-0506		761	-	761	-	761	761	-
Total passed through Michigan Department of Education		1,028,719	-	1,028,719	-	1,028,719	1,028,719	-
Total U.S. Department of Education		1,065,549	18,275	1,046,994	18,275	1,047,274	1,065,549	18,555

Oceana Intermediate School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS—CONTINUED
For the year ended June 30, 2006

Federal grantor/pass-through grantor/program title	Federal CFDA number	Entitlement program or award amount	Accrued (deferred) revenue July 1, 2005	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)			Accrued (deferred) revenue June 30, 2006	
					Prior year	Current year	Total		
<i>U.S. Department of Labor</i>									
Program passed through the Muskegon Area Intermediate School District: Workforce Investment Act 27314013/WIA-04/05	17.258	\$ 34,000	\$ 16,158	\$ 16,158	\$ 34,000	\$ -	\$ 34,000	\$ -	
<i>U.S. Department of Health and Human Services</i>									
Program passed through the Michigan Department of Social Services: Medical Assistance Program Title XIX 393	93.778	2,697	-	-	-	2,697	2,697	2,697	
TOTAL FEDERAL ASSISTANCE		\$ 1,102,246	\$ 34,433	\$ 1,063,152	\$ 52,275	\$ 1,049,971	\$ 1,102,246	\$ 21,252	

Oceana Intermediate School District
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2006

1. Please see the basic financial statements footnotes for the significant accounting policies used in the preparation of this schedule.
2. Management has utilized the Grant Section Auditors Report (form R7120) in preparing the Schedule of Expenditures of Federal Awards.
3. Reconciliation of revenues from federal sources per governmental financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Revenues from federal sources per June 30, 2006 financial statements.

General Fund	\$ 18,555
Special Education Fund	1,059,248
	<u>1,077,803</u>

Less local portion of Medicaid revenues included in federal sources in the financial statements	<u>(27,832)</u>
--	-----------------

Expenditures per single audit report Schedule of Expenditures of Federal Awards	<u><u>\$ 1,049,971</u></u>
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Oceana Intermediate School District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2006

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Oceana Intermediate School District.
2. *No* reportable conditions in internal control were disclosed by the audit of the financial statements.
3. *No* instances of noncompliance material to the financial statements of Oceana Intermediate School District were disclosed during the audit.
4. *No* reportable conditions in internal control were disclosed by the audit of the cluster of major federal award programs.
5. The auditors' report on compliance for the cluster of major federal award programs for Oceana Intermediate School District expresses an unqualified opinion.
6. There were *no* audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a cluster of major programs were:

<u>Name</u>	<u>CFDA Number</u>
<i>U.S. Department of Education</i> Special Education Cluster	84.027 and 84.173

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Oceana Intermediate School District was determined to be a low-risk auditee.

B. FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

NONE

C. FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS

NONE

SUPPLEMENTAL INFORMATION

BRICKLEY DELONG

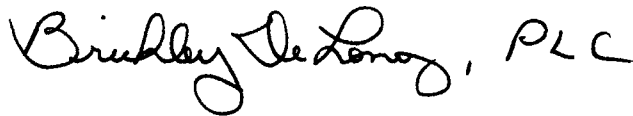
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

September 7, 2006

Board of Education
Oceana Intermediate School District
Hart, Michigan

We have audited the financial statements of Oceana Intermediate School District as of and for the year ended June 30, 2006 and have issued our report thereon dated September 7, 2006. Our audit was made primarily for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on page 12 is provided for purposes of additional analysis and is not a required part of the financial statements or the accompanying Schedule of Expenditures of Federal Awards. Such supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements of Oceana Intermediate School District and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

Oceana Intermediate School District
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE PROVIDED TO SUBRECIPIENTS
For the year ended June 30, 2006

Oceana Intermediate School District acts as a fiscal agent and passes through federal funds to the following local districts:

Pass-through grantee	Federal CFDA number	Pass-through grantor's number	Amount of subrecipient award	Due to (from) subrecipients July 1, 2005	Cash or payments in kind (cash basis)	Expenditures (accrual basis)			Due to (from) subrecipients June 30, 2006
						Prior year	Current year	Total	
I.D.E.A. 101-476 cluster	84.027	060450-0506							
Hart Public Schools			\$ 45,000	\$ -	\$ 45,000	\$ -	\$ 45,000	\$ 45,000	\$ -
Shelby Public Schools			45,000	-	45,000	-	45,000	45,000	-
Total subrecipient amounts			<u>\$ 90,000</u>	<u>\$ -</u>	<u>\$ 90,000</u>	<u>\$ -</u>	90,000	<u>\$ 90,000</u>	<u>\$ -</u>
Oceana Intermediate School District							738,680		
Total expenditures appearing on Schedule of Expenditures of Federal Awards							<u>\$ 828,680</u>		

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

September 7, 2006

Michigan Department of Education
Lansing, Michigan

Oceana Intermediate School District respectfully advises you that there were *no* audit findings or questioned costs reported in our single audit report, dated August 29, 2005, for the year ended June 30, 2005.

Sincerely,

A handwritten signature in cursive script that reads "Jeanne Oakes". The signature is fluid and elegant, with the first letters of the first and last names being capitalized and prominent.

Jeanne Oakes
Superintendent

CORRECTIVE ACTION PLAN

September 7, 2006

Michigan Department of Education
Lansing, Michigan

Oceana Intermediate School District respectfully submits the following Corrective Action Plan for the year ended June 30, 2006.

Name and address of independent public accounting firm:

Brickley DeLong, PLC
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2006

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2006 provided *no* findings in either Section B or Section C. Accordingly, there are *no* matters requiring corrective action as shown below.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

There were *no* compliance findings and *no* reportable conditions.

C. FINDINGS—MAJOR FEDERAL AWARD PROGRAMS

There were *no* compliance findings and *no* reportable conditions in relation to the cluster of major federal award programs.

If the Michigan Department of Education has questions regarding this plan, please call Jeanne Oakes at (231) 873-5651.

Sincerely,



Jeanne Oakes
Superintendent

FORM **SF-SAC**
(5-2004)U.S. DEPT. OF COMM.—Econ. and Stat. Admin.—U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates in 2004, 2005, or 2006**

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**RETURN
TO****Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132****PART I****GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)****1. Fiscal period ending date for this submission**Month Day Year
06 / 30 / 2006Fiscal Period End Dates Must
Be in 2004, 2005, or 2006**2. Type of Circular A-133 audit**1 ☒ Single audit 2 ☐ Program-specific audit**3. Audit period covered**1 ☒ Annual 2 ☐ Biennial 3 ☐ Other — Months**4. FEDERAL
GOVERNMENT
USE ONLY**Date received by
Federal clearinghouse**5. Auditee Identification Numbers****a. Primary Employer Identification Number (EIN)****38 - 6028604****b. Are multiple EINs covered in this report?** 1 ☐ Yes 2 ☒ No**c. If Part I, Item 5b = "Yes," complete Part I, Item 5c
on the continuation sheet on Page 4.****d. Data Universal Numbering System (DUNS) Number****10 - 003 - 6904****e. Are multiple DUNS covered in this report?** 1 ☐ Yes 2 ☒ No**f. If Part I, Item 5e = "Yes," complete Part I, Item 5f
on the continuation sheet on Page 4.****6. AUDITEE INFORMATION****a. Auditee name****OCEANA INTERMEDIATE SCHOOL DISTRICT****b. Auditee address (Number and street)****844 GRISWALD**

City

HART

State

MI

ZIP + 4 Code

49420 -**c. Auditee contact**

Name

JEANNE OAKES

Title

SUPERINTENDENT**d. Auditee contact telephone****(231) 873 - 5651****e. Auditee contact FAX****() -****f. Auditee contact E-mail****g. AUDITEE CERTIFICATION STATEMENT** - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official

Date
Month Day Year
9 / 7 / 06

Printed Name of certifying official

JEANNE OAKES

Printed Title of certifying official

SUPERINTENDENT**7. AUDITOR INFORMATION (To be completed by auditor)****a. Auditor name****BRICKLEY DELONG, PLC****b. Auditor address (Number and street)****P.O. BOX 999**

City

MUSKEGON

State

MI

ZIP + 4 Code

49448 - 0999**c. Auditor contact**

Name

TIMOTHY D. ARTER, CPA

Title

PARTNER**d. Auditor contact telephone****(231) 726 - 3157****e. Auditor contact FAX****() -****f. Auditor contact E-mail****9. AUDITOR STATEMENT** - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

Date
Month Day Year
9 / 7 / 06**Timothy D. Arter, C.P.A.**
for Brickley De Long, PLC

PART II FINANCIAL STATEMENTS (To be completed by auditor)**1. Type of audit report**

Mark either:

1 ☒ Unqualified opinion **OR**any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion**2. Is a "going concern" explanatory paragraph included in the audit report?**1 ☐ Yes 2 ☒ No**3. Is a reportable condition disclosed?**1 ☐ Yes 2 ☒ No - SKIP to Item 5**4. Is any reportable condition reported as a material weakness?**1 ☐ Yes 2 ☐ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 300,000

3. Did the auditee qualify as a low-risk auditee? (§ .530)1 ☒ Yes 2 ☐ No**4. Is a reportable condition disclosed for any major program? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No -SKIP to Item 6**5. Is any reportable condition reported as a material weakness? (§ .510(a)(1))**1 ☐ Yes 2 ☐ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development83 ☐ Federal Emergency Management Agency43 ☐ National Aeronautics and Space Administration96 ☐ Social Security Administration10 ☐ Agriculture39 ☐ General Services Administration89 ☐ National Archives and Records Administration19 ☐ U.S. Department of State23 ☐ Appalachian Regional Commission93 ☐ Health and Human Services05 ☐ National Endowment for the Arts20 ☐ Transportation11 ☐ Commerce14 ☐ Housing and Urban Development06 ☐ National Endowment for the Humanities21 ☐ Treasury94 ☐ Corporation for National and Community Service03 ☐ Institute of Museum and Library Services47 ☐ National Science Foundation82 ☐ United States Information Agency12 ☐ Defense15 ☐ Interior07 ☐ Office of National Drug Control Policy64 ☐ Veterans Affairs84 ☐ Education16 ☐ Justice59 ☐ Small Business Administration00 ☒ None81 ☐ Energy17 ☐ Labor☐ Other - Specify:66 ☐ Environmental Protection Agency09 ☐ Legal Services Corporation

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives ☒
- and, if not marked above, the Federal cognizant agency ☐

Count total number of boxes marked above and submit this number of reporting packages

1

PART III FEDERAL PROGRAMS - Continued**9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

CFDA Number		Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)		Type(s) of compliance requirement(s) (a)	Audit finding reference number(s) (b)
Federal Agency Prefix (a)	Extension 2 (b)					Major program	If yes, type of audit report 3 (h)		
8 4	358A	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	RURAL EDUCATION ACHIEVEMENT PROGRAM	\$ 18,555.00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	I.D.E.A.	\$ 933,680.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8 4	173	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	I.D.E.A.	\$ 27,826.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8 4	181	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	INTERVENTION PROGRAM	\$ 66,452.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE V	\$ 761.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9 3	778	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE XIX	\$ 2,697.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			
TOTAL FEDERAL AWARDS EXPENDED				\$ 1,049,971.00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS				

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

A. Activities allowed or unallowed
B. Allowable costs/cost principles
C. Cash management
D. Davis - Bacon Act
5 N/A for NONE

E. Eligibility
F. Equipment and real property management
G. Matching, level of effort, earmarking
H. Period of availability of Federal funds

I. Procurement and suspension and debarment
J. Program income
K. Real property acquisition and relocation assistance

L. Reporting
M. Subrecipient monitoring
N. Special tests and provisions
O. None
P. Other

PART I **Item 5 Continuation Sheet**

f. List the multiple DUNS covered in the report.

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

1	N / A	21	41	-	1	N / A	21	-
2	-	22	42	-	2	-	22	-
3	-	23	43	-	3	-	23	-
4	-	24	44	-	4	-	24	-
5	-	25	45	-	5	-	25	-
6	-	26	46	-	6	-	26	-
7	-	27	47	-	7	-	27	-
8	-	28	48	-	8	-	28	-
9	-	29	49	-	9	-	29	-
10	-	30	50	-	10	-	30	-
11	-	31	51	-	11	-	31	-
12	-	32	52	-	12	-	32	-
13	-	33	53	-	13	-	33	-
14	-	34	54	-	14	-	34	-
15	-	35	55	-	15	-	35	-
16	-	36	56	-	16	-	36	-
17	-	37	57	-	17	-	37	-
18	-	38	58	-	18	-	38	-
19	-	39	59	-	19	-	39	-
20	-	40	60	-	20	-	40	-

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.